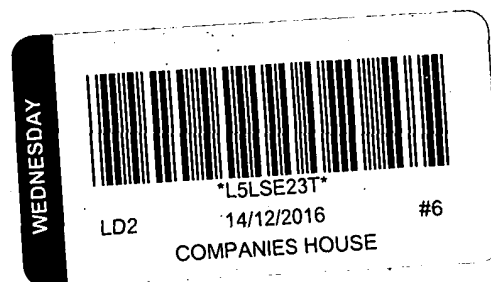


Registered Number 03196199

BLUECO LIMITED  
FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2016



## Strategic Report for the year ended 31 March 2016

The directors present their strategic report with audited financial statements of the Company for the year ended 31 March 2016.

### RESULTS FOR THE YEAR

The results are set out in the Income Statement on page 5.

### REVIEW OF THE BUSINESS

The Company has continued its business of property investment in the United Kingdom. No changes in the Company's principal activity are anticipated in the foreseeable future.

### KEY PERFORMANCE INDICATORS

The directors assess the performance of the Company by reference to the valuation surplus / deficit upon revaluation of the Company's investment properties and profit before tax.

### CREDITOR PAYMENT POLICY

Land Securities Properties Limited, a fellow group undertaking, manages payments to suppliers for the Land Securities Group. The Company agrees the terms and conditions under which business transactions with its suppliers are conducted. It is policy that payments to suppliers are made in accordance with these terms, provided that the supplier is also complying with all relevant terms and conditions. Trade creditors at 31 March 2016 were equivalent to 28 days of purchases during the year ended on that date.

### PRINCIPAL RISKS AND UNCERTAINTIES

The principal risk facing the Company is that poor performance of the investment property might have a material impact on the asset valuation and rental income in the financial statements. The Company's performance during the year indicates a satisfactory performance of the investment property held.

### FINANCIAL RISK MANAGEMENT

The Company is exposed to liquidity risk, credit risk and interest rate risk. Given the absence of external borrowings in the Company, these risks are not considered material.

While the Company has minimal short term liquidity requirements, any funding requirements could be covered by committed facilities held by other group companies.

The Company's principal financial assets are trade and other debtors, and therefore the credit risk it faces is primarily attributable to its trade debtors. The amounts presented in the Balance Sheet are net of doubtful debts. An allowance for impairment is made where there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the debtors concerned.

There is no material difference between the book value and the fair value of the financial instruments.

Further discussion of these risks and uncertainties, in the context of the Group as a whole, is provided in the Group's Annual Report, which does not form part of this report.

Registered Office  
5 Strand  
London  
WC2N 5AF



By order of the Board  
L Miller, for and on behalf of LS Company Secretaries Limited,  
Company Secretary  
1 December 2016

Registered in England and Wales  
Registered number: 03196199

## Directors' Report for the year ended 31 March 2016

The directors present their report with audited financial statements of the Company for the year ended 31 March 2016.

### PRINCIPAL ACTIVITY

The Company has continued its business of property investment in the United Kingdom.

### DIVIDEND

The directors do not recommend the payment of a dividend for the year ended 31 March 2016 (9 months to 31 March 2015: £Nil).

### GOING CONCERN

The directors believe that preparing the accounts on the going concern basis is appropriate due to the continued financial support of the ultimate parent company Land Securities Group PLC. The directors have received confirmation that Land Securities Group PLC intends to support the Company for at least one year after these financial statements are signed.

### POST BALANCE SHEET EVENTS

The directors note the uncertainty - and consequential volatility in the property and capital markets - since the UK voted to leave the European Union in the 23 June 2016 referendum. This uncertainty may have a negative impact on UK property valuations in future periods and is not currently reflected in the balance sheet at 31 March 2016.

### DIRECTORS

The directors who held office during the year and up to the date of this report were:

D Don-Wauchope  
Land Securities Management Services Limited  
LS Director Limited

### INDEMNITY

The Company has made qualifying third party indemnity provisions for the benefit of the respective directors which were in place throughout the year and which remain in place at the date of this report.

### STATEMENT OF DISCLOSURE OF INFORMATION TO AUDITOR

In the case of each director in office at the date the Directors' Report is approved, the following applies:

- so far as the director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- he has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Registered Office  
5 Strand  
London  
WC2N 5AF



By order of the Board  
L Miller, for and on behalf of LS Company Secretaries Limited,  
Company Secretary  
1 December 2016

Registered and domiciled in England and Wales  
Registered number: 03196199

**Directors' Responsibilities for the year ended 31 March 2016****STATEMENT OF DIRECTORS' RESPONSIBILITIES**

The directors are responsible for preparing the Directors' Report, Strategic Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' (FRS 101). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable Financial Reporting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

## Independent Auditor's Report to the Members of Blueco Limited for the year ended 31 March 2016

We have audited the financial statements of Blueco Limited for the year ended 31 March 2016 which comprise the Income Statement, the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity and the related notes 1 to 19. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 101 'Reduced Disclosure Framework'.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

### Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Financial Statements to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

### Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2016 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 'Reduced Disclosure Framework'; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### Opinion on other matter prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have identified no material misstatements in the Strategic Report or Directors' Report.

### Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit

Ernst & Young LLP

Daniel Saunders (Senior Statutory Auditor)  
For and on behalf of Ernst & Young LLP  
Statutory Auditor  
London

8 December 2016

<b>Income Statement for the year ended 31 March 2016</b>
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		Year ended 31 March 2016 £'000	9 months to 31 March 2015 £'000
	Notes		
Revenue: Gross property income	4	35,961	13,654
Net rental income	4	28,063	10,350
Property management and administrative expenses	5	(900)	-
Net surplus / (deficit) on revaluation of investment properties	8	23,232	(1,925)
Operating profit		50,395	8,425
Interest income	6	180	3
Interest expense	6	-	(2)
Profit before tax		50,575	8,426
Income tax	7	(37)	(1)
Profit for the financial year attributable to owners of the Parent		50,538	8,425

<b>Statement of comprehensive income for the year ended 31 March 2016</b>
---

	Year ended 31 March 2016 £'000	9 months to 31 March 2015 £'000
Profit for the financial year attributable to owners of the Parent	50,538	8,425
Other comprehensive income for the financial year	-	-
Total comprehensive income for the financial year attributable to owners of the Parent	50,538	8,425

All amounts are derived from continuing activities.

**Balance Sheet as at 31 March 2016**

	Notes	31 March 2016 £'000	31 March 2015 £'000
<b>Non-current assets</b>			
Investment properties	8	656,279	632,357
<b>Total non-current assets</b>		<u>656,279</u>	<u>632,357</u>
<b>Current assets</b>			
Trade and other receivables	9	4,895	687,538
Cash and cash equivalents		8,934	7,988
<b>Total current assets</b>		<u>13,829</u>	<u>695,526</u>
<b>Total assets</b>		<u>670,108</u>	<u>1,327,883</u>
<b>Current liabilities</b>			
Trade and other payables	10	(53,908)	(952,251)
Provisions	11	(30)	-
<b>Total current liabilities</b>		<u>(53,938)</u>	<u>(952,251)</u>
<b>Total liabilities</b>		<u>(53,938)</u>	<u>(952,251)</u>
<b>Net assets</b>		<u>616,170</u>	<u>375,632</u>
<b>Equity</b>			
<b>Capital and reserves attributable to owners of the Parent</b>			
Ordinary shares	12	250,000	60,000
Retained earnings		366,170	315,632
<b>Total Equity</b>		<u>616,170</u>	<u>375,632</u>

The financial statements on pages 5 to 15 were approved by the Board of Directors on 1 December 2016 and were signed on its behalf by:

For and on behalf of LS Director Limited  
M Arnaouti

Director

<b>Statement of changes in equity</b>
---------------------------------------

	Notes	Ordinary shares £'000	Retained earnings £'000	Total £'000
<b>At 1 July 2014</b>		60,000	307,207	367,207
Total comprehensive income for the 9 months to 31 March 2015		-	8,425	8,425
<b>At 31 March 2015</b>		<b>60,000</b>	<b>315,632</b>	<b>375,632</b>
Total comprehensive income for the year ended 31 March 2016		-	50,538	50,538
<b>Transactions with owners:</b>				
New share capital subscribed	12	190,000	-	190,000
<b>At 31 March 2016</b>		<b>250,000</b>	<b>366,170</b>	<b>616,170</b>



## 1. Basis of preparation

These financial statements have been prepared on a going concern basis and in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' (FRS 101). The financial statements are prepared under the historical cost convention modified to include the revaluation of investment properties.

The results of the Company are included in the consolidated financial statements of Land Securities Group PLC which are available from 5 Strand, London, WC2N 5AF.

The accounting policies which follow set out those policies which apply in preparing the financial statements for the year ended 31 March 2016. The financial statements are prepared in Sterling and are rounded to the nearest thousand pounds (£'000).

The Company has taken advantage of the following disclosure exemptions under FRS 101:

- (a) the requirements of IFRS 7 'Financial Instruments: Disclosures'; <sup>(1)</sup>
- (b) the requirements of paragraphs 91-99 of IFRS 13 'Fair Value Measurement'; <sup>(1)</sup>
- (c) the requirement in paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of:
  - i. paragraph 79(a)(iv) of IAS 1 'Presentation of Financial Statements';
  - ii. paragraph 73(e) of IAS 16 'Property, Plant and Equipment';
  - iii. paragraph 118(e) of IAS 38 'Intangible Assets';
  - iv. paragraphs 76 and 79(d) of IAS 40 'Investment Property';
- (d) the requirements of paragraphs 10(d), 10(f), 39(c) and 134-136 of IAS 1 'Presentation of Financial Statements';
- (e) the requirements of IAS 7 'Statement of Cash Flows';
- (f) the requirements of paragraph 30 and 31 of IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors';
- (g) the requirements in IAS 24 'Related Party Disclosures' to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member; and
- (h) the requirements of paragraphs 134(d)-134(f) and 135(c)-135(e) of IAS 36 'Impairment of Assets'. <sup>(1)</sup>

1. The equivalent disclosures are included in the consolidated financial statements of Land Securities Group PLC, in which the entity is consolidated.

### Change in accounting policy

During the year the directors elected to early adopt 'Amendments to FRS 101 – Reduced Disclosure Framework 2014/15 cycle and other minor amendments which sets out changes made to FRS 101 and its appendices to:

- provide exemptions in respect of disclosures required by paragraph 18A of IAS 24 – 'Related Party Disclosures' – and the requirements of paragraphs 6 and 21 of IFRS 1 – 'First-time Adoption of International Financial Reporting Standards'; and
- maintain consistency between FRS 101 and UK company law as a result of the new EU Accounting Directive – 'Directive 2013/34/EU on the annual financial statements, consolidated financial statements and related reports of certain types of undertakings – which has been implemented in the UK through 'The Companies, Partnerships and Groups (Accounts and Reports) Regulations' 2015 (SI 2015/980) ('SI 2015/980').

As a result of the above change in accounting policy the balance sheet of the company is now presented in accordance with IAS 1. Previously, the balance sheet was presented in accordance with Companies Act 2006. The change only results in the revised description for the balance sheet items and there were no adjustments arising on the change in accounting policy. The revised balance sheet presentation results in consistent presentation with the consolidated financial statements of Land Securities Group PLC.

## 2. Significant accounting policies

The accounting policies which follow set out those which apply in preparing the financial statements for the year ended 31 March 2016.

### (a) Investment properties

Investment properties are those properties, either owned by the Company or where the Company is a lessee under a finance lease, that are held either to earn rental income or for capital appreciation, or both. In addition, properties held under operating leases are accounted for as investment properties when the rest of the definition of an investment property is met. In such cases, the operating leases concerned are accounted for as if they were finance leases.

Investment properties are measured initially at cost, including related transaction costs. After initial recognition at cost, investment properties are carried at their fair values based on market value determined by professional independent valuers at each reporting date. Properties are treated as acquired at the point when the Company assumes the significant risks and returns of ownership and as disposed when these are transferred to the buyer. This generally occurs on unconditional exchange or on completion, particularly if this is expected to occur significantly after exchange or the Group has significant outstanding obligations between exchange and completion. Additions to investment properties consist of costs of a capital nature and, in the case of investment properties under development, capitalised interest. Certain internal staff and associated costs directly attributable to the management of major schemes during the construction phase are also capitalised.

The difference between the fair value of an investment property at the reporting date and its carrying amount prior to re-measurement is included in the income statement as a valuation surplus or deficit. The profit on disposal is determined as the difference between the sales proceeds and the carrying amount of the asset at the commencement of the accounting period plus capital expenditure in the period.

When the Company begins to redevelop an existing investment property for continued future use as an investment property, the property continues to be held as an investment property. When the Company begins to redevelop an existing investment property with a view to sell, the property is transferred to trading properties and held as a current asset. The property is re-measured to fair value as at the date of the transfer with any gain or loss being taken to the income statement. The re-measured amount becomes the deemed cost at which the property is then carried in trading properties.

Borrowing costs associated with direct expenditure on properties under development or undergoing major refurbishment are capitalised. The interest capitalised is calculated using the Group's weighted average cost of borrowings after adjusting for borrowings associated with specific developments. Where borrowings are associated with specific developments, the amount capitalised is the gross interest incurred on those borrowings less any investment income arising on their temporary investment. Interest is capitalised as from the commencement of the development work until the date of practical completion. The capitalisation of finance costs is suspended if there are prolonged periods when development activity is interrupted. Interest is also capitalised on the purchase cost of land or property acquired specifically for redevelopment in the short term but only where activities necessary to prepare the asset for redevelopment are in progress.

### (b) Other property, plant and equipment

This category comprises computers, motor vehicles, furniture, fixtures and fittings and improvements to Company offices. These assets are stated at cost less accumulated depreciation and are depreciated to their residual value on a straight-line basis over their estimated useful lives of between two and five years.

The residual values and useful lives of all property, plant and equipment are reviewed, and adjusted if appropriate, at least at each financial year end.

### (c) Investment in a joint venture

Investments in a joint venture are carried at cost, less any repayment of joint venture capital and provision for impairment in value.

### (d) Investment in subsidiary undertaking

Investments in subsidiary undertaking are stated at cost in the Company's balance sheet, less any provision for impairment in value.

### (e) Other investments

Other investments are available-for-sale financial assets and are held at fair value. Changes to fair value are recorded within other comprehensive income.

### (f) Trading properties and long-term development contracts

Trading properties are those properties held for sale or those being developed with a view to sell and are shown at the lower of cost and net realisable value. Proceeds received on the sale of trading properties are recognised within Revenue.

Revenue on long-term development contracts is recognised according to the stage reached in the contract by reference to the value of work completed using the percentage of completion method. An appropriate estimate of the profit attributable to work completed is recognised once the outcome of the contract can be estimated reliably. The gross amount due from customers for contract work is shown as a receivable. The gross amount due comprises costs incurred plus recognised profits less the sum of recognised losses and progress billings. Where the sum of recognised losses and progress billings exceeds costs incurred plus recognised profits, the amount is shown as a liability.

### (g) Trade and other receivables

Trade and other receivables are recognised initially at fair value, subsequently at amortised cost and, where relevant, adjusted for the time value of money. A provision for impairment is established where there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables concerned. If collection is expected in more than one year, they are classified as non-current assets.

## 2. Significant accounting policies (continued)

### (h) Cash and cash equivalents

Cash and cash equivalents comprises cash balances, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or fewer. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are deducted from cash and cash equivalents for the purpose of the statement of cash flows.

### (i) Provisions

A provision is recognised in the balance sheet when the Company has a constructive or legal obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation. Where relevant, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

### (j) Revenue

Rental income from investment property leased out under an operating lease is recognised in the income statement on a straight-line basis over the term of the lease. Lease incentives granted are an integral part of the net consideration for the use of the property and are therefore recognised on the same straight-line basis. Service charges and other recoveries are recorded as income in the periods in which they are earned.

When property is let under a finance lease, the Company recognises a receivable at an amount equal to the net investment in the lease at inception of the lease. Rentals received are accounted for as repayments of principal and finance income as appropriate. Finance income is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining net investment in the finance lease. Contingent rents, being lease payments that are not fixed at the inception of a lease, for example turnover rents, are recorded as income in the periods in which they are earned.

### (k) Expenses

Property and contract expenditure is expensed as incurred with the exception of expenditure on long-term development contracts (see (f) above).

Rental payments made under an operating lease are recognised in the income statement on a straight-line basis over the term of the lease. Lease incentives received are an integral part of the net consideration for the use of the property and also recognised on a straight-line basis.

Minimum lease payments payable on finance leases and operating leases accounted for as finance leases under IAS 40 are apportioned between finance expense and reduction of the outstanding liability. Finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining liability. Contingent rents (as defined in (j) above) are charged as an expense in the periods in which they are incurred.

### (l) Impairment

The carrying amounts of the Company's non-financial assets, other than investment properties (see (a) above), are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated (see below). An impairment loss is recognised in the income statement whenever the carrying amount of an asset exceeds its recoverable amount.

The recoverable amount of an asset is the greater of its fair value less costs to sell and its value in use. The value in use is determined as the net present value of the future cash flows expected to be derived from the asset, discounted using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount after the reversal does not exceed the amount that would have been determined, net of applicable depreciation, if no impairment loss had been recognised.

### (m) Interest

Interest is accounted for on an accruals basis.

### (n) Income taxation

Income tax on the profit or loss for the year comprises current and deferred tax. Current tax is the tax payable on the taxable income for the year and any adjustment in respect of previous years. Deferred tax is provided in full using the balance sheet liability method on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is determined using tax rates that have been enacted or substantively enacted by the reporting date and are expected to apply when the asset is realised or the liability is settled.

No provision is made for temporary differences (i) arising on the initial recognition of assets or liabilities, other than on a business combination, that affect neither accounting nor taxable profit and (ii) relating to investments in subsidiaries to the extent that they will not reverse in the foreseeable future.

## 2. Significant accounting policies (continued)

### (o) Leases

The determination of whether an arrangement is (or contains) a lease is based on the substance of the arrangement at the inception date. The arrangement is assessed for whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangement.

#### *Company is the lessee*

i) Operating lease – leases in which substantially all risks and rewards of ownership are retained by another party, the lessor, are classified as operating leases. Payments, including prepayments, made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

ii) Finance lease – leases of assets where the Company has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised within investment properties at the commencement of the lease at the lower of the fair value of the property and the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in current and non-current borrowings. The finance charges are charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The investment properties acquired under finance leases are subsequently carried at their fair value.

#### *Company is the lessor*

i) Operating lease – properties leased out to tenants under operating leases are included in investment properties in the balance sheet.

ii) Finance lease – when assets are leased out under a finance lease, the present value of the minimum lease payments is recognised as a receivable. The difference between the gross receivable and the present value of the receivable is recognised as unearned finance income.

Lease income is recognised over the term of the lease using the net investment method before tax, which reflects a constant periodic rate of return. Where only the buildings element of a property lease is classified as a finance lease, the land element is shown within operating leases.

### (p) Dividend distribution

Final dividend distributions to the Company's shareholders are recognised as a liability in the Company's financial statements in the period in which the dividends are approved by the Company's shareholders. Interim dividends are recognised when paid.

### (q) Dividend income

Dividend income is recognised when the Company's right to receive payment is established.

### (r) Group accounts

The financial statements present information about the Company as an individual undertaking and not about its group. The Company has not prepared group accounts as it is exempt from the requirement to do so by section 400 of the Companies Act 2006 as it is a subsidiary of Land Securities Group PLC, a Company incorporated in England and Wales whose consolidated financial statements are publicly available.

### (s) Intercompany loans

Intercompany loans are recognised initially at fair value less attributable transaction costs. Subsequently to initial recognition, intercompany loans are stated at amortised cost with any difference between the amount initially recognised and redemption value being recognised in the income statement over the period of the loan, using the effective interest method.

### (t) Trade and other payables

Trade and other payables with no stated interest rate and payable within one year are recorded at transaction price. Trade and other payables after one year are discounted based on amortised cost method using the effective interest rate.

### 3. Critical accounting judgements and key estimation uncertainty

The Company's significant accounting policies are stated in note 2 above. Not all of these significant accounting policies require management to make difficult, subjective or complex judgements or estimates. The following is intended to provide an understanding of the policies that management consider critical because of the level of complexity, judgement or estimation involved in their application and their impact on the financial statements. These judgements involve assumptions or estimates in respect of future events. Actual results may differ from these estimates.

#### (a) Investment property valuation

The Company uses the valuation performed by its external valuer, CBRE Limited, as the fair value of its investment properties.

The valuation of the Company's property portfolio is inherently subjective due to, among other factors, the individual nature of each property, its location and the expected future rental revenues from that particular property. As a result, the valuations the Company places on its property portfolio are subject to a degree of uncertainty and are made on the basis of assumptions which may not prove to be accurate, particularly in periods of volatility or low transaction flow in the property market.

The investment property valuation contains a number of assumptions upon which CBRE Limited has based its valuation of the Company's properties as at 31 March 2016. The assumptions on which the valuations have been based include, but are not limited to, matters such as the tenure and tenancy details for the properties, ground conditions at the properties, the structural condition of the properties, prevailing market yields and comparable market transactions. These assumptions are market standard and accord with the RICS Valuation Standards. However, if any assumptions made by the property valuer prove to be false, this may mean that the value of the Company's properties differs from their valuation, which could have a material effect on the Company's financial condition.

#### (b) Trade and other receivables

The Company is required to judge when there is sufficient objective evidence to require the impairment of individual trade receivables. It does this on the basis of the age of the relevant receivables, external evidence of the credit status of the counterparty and the status of any disputed amounts.

### 4. Revenue

	Year ended 31 March 2016 £'000	9 months to 31 March 2015 £'000
Rental income (excluding adjustment for lease incentives)	29,431	10,719
Adjustment for lease incentives	723	898
<b>Rental income</b>	<b>30,154</b>	<b>11,617</b>
Service charge income	5,519	1,932
Other property related income	288	105
<b>Gross property income</b>	<b>35,961</b>	<b>13,654</b>
Other direct property or contract expenditure	(7,898)	(3,304)
<b>Net rental income</b>	<b>28,063</b>	<b>10,350</b>

Other direct property or contract expenditure are costs incurred in the direct maintenance and upkeep of investment properties. Void costs, which include costs relating to empty properties pending redevelopment and refurbishment, costs of investigating potential development schemes which are not proceeded with, and costs in respect of housekeepers and outside staff directly responsible for property services, are also included.

### 5. Property management and administrative expenses

Property management and administrative expenses consist of all costs of managing the property, together with the costs of rent reviews and renewals, re-lettings of the property and management services as explained in note (a) below. No staff costs or overheads are capitalised.

#### (a) Management services

The Company had no employees during the year ended 31 March 2016 (9 months to 31 March 2015: None). Management services were provided to the Company throughout the year ended 31 March 2016 by Land Securities Properties Limited, which is a Group undertaking, and amount to £962,500 (9 months to 31 March 2015: £329,174).

#### (b) Directors' remuneration

The directors of the Company received no emoluments from Land Securities Properties Limited for their services to the Company. The amounts allocated to services for this Company for the year ended 31 March 2016 were £Nil (9 months to 31 March 2015: £Nil).

#### (c) Auditor remuneration

The Group auditor's remuneration is borne by Land Securities Properties Limited. The proportion of the remuneration for the year ended 31 March 2016 which relates to the Company amounts to £17,000 (9 months to 2015: £17,000). The auditor received no remuneration for non-audit services provided to the Company during the year ended 31 March 2016 (9 months to 31 March 2015: £Nil).

## 6. Net interest income

	Year ended 31 March 2016 £'000	9 months to 31 March 2015 £'000
Interest expense		
Other interest payable	-	(2)
<b>Total interest expense</b>	<b>-</b>	<b>(2)</b>
Interest income		
Other interest receivable	180	3
<b>Total interest income</b>	<b>180</b>	<b>3</b>
<b>Net interest income</b>	<b>180</b>	<b>1</b>

## 7. Income tax

	Year ended 31 March 2016 £'000	9 months to 31 March 2015 £'000
Current tax		
Income tax on profit for the year / period	36	1
Adjustment in respect of prior periods	1	-
<b>Total income tax charge in the income statement</b>	<b>37</b>	<b>1</b>
<b>Total tax charge</b>	<b>37</b>	<b>1</b>

### Factors affecting the tax charge for the year / period

The tax for the year / period is lower than (9 months to 31 March 2015: lower than) the standard rate of corporation tax in the UK of 20% (2015: 21%). The differences are explained below:

Profit before tax	50,575	8,426
Profit before tax multiplied by the rate of corporation tax in the UK of 20% (2015: 21%)	10,115	1,769
Effects of:		
Adjustments in respect of prior periods	1	-
Exempt property rental profits in the year ended 31 March 2016 / 9 months to 31 March 2015	(5,432)	(1,364)
Exempt property gains in the year ended 31 March 2016 / 9 months to 31 March 2015	(4,647)	(404)
<b>Total income charge in the income statement (as above)</b>	<b>37</b>	<b>1</b>

Land Securities Group PLC is a Real Estate Investment Trust (REIT). As a result the Company does not pay UK corporation tax on the profits and gains from qualifying rental business in the UK provided it meets certain conditions. Non-qualifying profits and gains of the Company continue to be subject to corporation tax as normal.

## 8. Investment properties

	Year ended 31 March 2016 £'000	9 months to 31 March 2015 £'000
Net book value at 1 April / 1 July	632,357	-
Additions	690	634,282
Surplus / (deficit) on revaluation of investment properties	23,232	(1,925)
<b>Net book value at 31 March</b>	<b>656,279</b>	<b>632,357</b>

The historical cost of the investment properties is £634,972,353 (2015: £634,282,438). The difference between the carrying amount and historical cost is £21,307,111. The market value has been adjusted for tenant lease incentives for an amount of £2,520,535 (2015: £1,797,813). The valuations are prepared by CBRE Limited, independent valuers, in accordance with, RICS valuation standards.

The above investment properties act as security against listed debt recognised within a fellow Land Securities Group PLC subsidiary.

## 9. Trade and other receivables

	2016 £'000	2015 £'000
Trade receivables	2,402	2,824
Less: allowance for doubtful accounts	(522)	(304)
Net trade receivables	1,880	2,520
Other receivables	76	813
Prepayments and accrued income	2,939	2,078
Loans to Group undertakings	-	682,127
<b>Total trade and other receivables</b>	<b>4,895</b>	<b>687,538</b>

For the year ended 31 March 2016 loans to and from Group undertakings are disclosed on a net basis to reflect the right and intention of settlement on a net basis as a result of the Company becoming subject to the Intra-group financing deed.

## 10. Trade and other payables

	2016 £'000	2015 £'000
Trade payables	191	150
Capital payables	94	132
Other payables	183	191
Accruals and deferred income	7,353	8,061
Current tax liabilities	705	689
Social security and other taxes	1,148	994
Loans from Group undertakings	44,234	942,034
<b>Total trade and other payables</b>	<b>53,908</b>	<b>952,251</b>

Capital payables represent amounts due for work completed on investment properties but not paid for at the year end. Deferred income principally relates to rents received in advance.

The unsecured loan from the Group undertaking is interest free and repayable on demand with no fixed repayment date. For the year ended 31 March 2016 loans to and from Group undertakings are disclosed on a net basis to reflect the right and intention of settlement on a net basis as a result of the Company becoming subject to the Intra-group financing deed.

## 11. Provisions

	£'000
At 1 April 2015	-
Charge to income statement for the year	30
<b>At 31 March 2016</b>	<b>30</b>

Provisions relate to business rates on commercialisation income not previously rated.

## 12. Ordinary share capital

	2016 Number	Issued 2015 Number	Allotted and fully paid 2016 £	2015 £
Ordinary shares of £1.00 each	250,000,000	60,000,010	250,000,000	60,000,010

There is no difference in voting rights, rights to dividends and rights on the winding up of the Company for each share class.

During the year, the Issued share capital of the Company was increased by the creation of 189,999,990 further ordinary shares of £1 each. The new shares carry the same rights as the existing Issued share capital.

## 13. Contingencies

The Company has contingent liabilities in respect of legal claims, guarantees, and warranties arising in the ordinary course of business. It is not anticipated that any material liabilities will arise from the contingent liabilities.

## 14. Post balance sheet event

The directors note the uncertainty - and consequential volatility in the property and capital markets - since the UK voted to leave the European Union in the 23 June 2016 referendum. This uncertainty may have a negative impact on UK property valuations in future periods and is not currently reflected in the balance sheet at 31 March 2016.

## 15. Cash flow statement exemption

The Company is a wholly owned subsidiary of Land Securities Group PLC which prepares a consolidated cash flow statement. The Company has therefore elected to make use of the exemption provided in FRS 101 not to produce its own cash flow statement.

## 16. Related party transactions

The Company is a wholly owned subsidiary of Land Securities Group PLC and has taken advantage of the exemption provided in FRS 101 not to make disclosure of transactions with other entities that are part of the Group.

## 17. Operating lease arrangements

The Company earns rental income by leasing its investment and operating properties to tenants under non-cancellable operating leases.

At the balance sheet date, the Company had contracted with tenants to receive the following future minimum lease payments:

	2016 £'000	2015 £'000
<b>Operating leases which expire:</b>		
Not later than one year	8,173	7,989
Later than one year but not more than five years	28,061	27,749
More than five years	30,393	29,944
	<u>66,627</u>	<u>65,682</u>

The total of contingent rents recognised as income during the year ended 31 March 2016 was £9.3m (9 months to 31 March 2015: £1.9m).

## 18. Parent company

The immediate parent company is Greenhithe Holdings Limited, a Company registered in Jersey.

The ultimate parent company and controlling party at 31 March 2016 was Land Securities Group PLC, which is registered in England and Wales. This is the largest parent company of the Group to consolidate these financial statements.

Consolidated financial statements for the year ended 31 March 2016 for Land Securities Group PLC can be obtained from the Company Secretary, 5 Strand, London WC2N 5AF. This is the largest and smallest group to include these accounts in its consolidated financial statements.

## 19. Going concern

The directors believe that preparing the accounts on the going concern basis is appropriate due to the continued financial support of the ultimate parent company Land Securities Group PLC. The directors have received confirmation that Land Securities Group PLC intends to support the Company for at least one year after these financial statements are signed.